GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:200
ANSWERED ON:09.03.2001
POLICY FOR FOREIGN CAPITAL INVESTMENT
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether there is no definite policy framework regarding the quantum of foreign capital investment in various industrial and services sector of the country;

(b) if so, the reasons therefor;

(c) whether any assessment is being made regarding requirement of capital investment in the industry and its impact on domestic industry, prior to the approval of foreign capital investment in any industry;

(d) if so, the details thereof; and

(e) if not, the reasons therefor?

Answer

THE MINISTER OF COMMERCE & INDUSTRY (SHRI MURASOLI MARAN)

(a) & (b) : There is a clear policy framework for all capital investment as notified in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, read with subsequent policy pronouncementsAs far as foreign direct investment is concerned, upto 100% foreign equity is permitted in all activities, except a specified list.

(c) to (e) : Government constantly reviews the role of foreign investment with the objective of further refining it and enhancing India`s attractiveness as an investment destination and also to supplement the domestic investment as per sector specific requirements.

SYNOPSIS OF LOK SABHA STARRED QUESTION NO. 200 FOR ANSWER ON 9.3.2001 REGARDING POLICY FOR FC CAPITAL INVESTMENT

- The question seeks information whether Government is not having the definite policy framework regarding the quantum of foreign capital investment in various industrial and services sector of the country and whether Government carries out assessment regarding requirement of capital investment in the industry and its impact on domestic industry, prior to giving approvals.

- Government has already put in place a clear policy framework for all capital investment as notified in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, read with subsequent policy pronouncements. As far as foreign direct investment is concerned, upto 100% foreign equity is permitted in all activities, except a specified list.

- FDI combined with foreign technology, trademarks and brand names supplement domestic investible resources and enhances efficiency of the domestic industry.

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- FDI policy liberalisation is a continuous and consultative process involving consultations among various Departments and Ministries of the Government from time to time based on the sector specific requirements for FDI.For this, a Group of Ministers (GoM) has been set up which reviews the FDI policy from time to time.As part of the liberalisation process, vide Press Note No. 2 of 2000, all items / activities were placed under automatic route for upto 100% FDI / NRI / OCB investment except a small negative listThereafter, further liberalisation of FDI policy was announced vide Press Notes No. 7 and 9 of 2000. These Press Notes allow :

- FDI upto 100% for e-commerce

- Removal of upper limit on FDI for power projects under automatic route

- FDI upto 100% in oil refining sector under automatic route

- FDI upto 100% through automatic route for all manufacturing activities in Special Economic Zones

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(SEZs) except a few activities involving national security and social angle.

- FDI upto 100% for Internet Service Providers (without gateways), infrastructure providers providing dark fibre (category I), electronic mail and voice mail

- Payment of royalty for use of trademarks and brand-names as also by wholly owned subsidiaries to offshore parent companies.

- Government constantly reviews the role of foreign investment with the objective of further refining it and enhancing India`s attractiveness as an investment destination and also to supplement the domestic investment as per sector specific requirements.

- To further liberalise FDI regime, a consultative exercise with various Ministries / Departments is already in progress.In this regard, GoM in its meeting held on 9.2.2001 has made certain recommendations on FDI policy on various sectors like drugs and pharmaceuticals, NBFCs, defence production, print media, housing, settlements and dwelling units, NBFC and banking, etc.These recommendations will be placed before the Cabinet and will be notified after the Cabinet approves the proposals.

- The details of the net portfolio investment from Foreign Institutional Investors (FIIs) for the last three years are as under:-(Figures in US$ Million)

Year	1998-99	1999-2000	2000-2001 (Upto Jan)
(Investment)	-386.4	2344.9	1398.1